



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

November 12, 2008

Dear Members of the Wisconsin Retirement System:

Many of you are asking how the turbulent investment markets will affect your Wisconsin Retirement System (WRS) account and/or monthly WRS annuity. Please keep in mind that the Department of Employee Trust Funds (ETF) will not have a definitive answer until late February or early March 2009, after the State of Wisconsin Investment Board (SWIB) announces finalized 2008 Core and Variable Trust Fund investment returns. Once finalized investment returns are available, ETF will calculate effective rates and the WRS consulting actuary will calculate subsequent annuity adjustments.

2008 has been marked by unprecedented market declines. As of October 31, 2008, the Core Fund was down 26% and the Variable Fund was down 36.2% based on preliminary returns. Although we don't know how the year will end, the following table shows the approximate projected range of effective rates and annuity adjustments for next year, depending on SWIB investment returns.

POTENTIAL CORE FUND RETURNS and RANGE OF PROJECTED ANNUITY ADJUSTMENTS

Possible 2008 SWIB Investment Returns	Approximate Core Fund Effective Rate	Approximate Core Fund Annuity Adjustments
-16 to -20%	5.5% to 4.5%	-0.5% to -1.5%
-21 to -25%	4.5% to 3.5%	-1.5% to -2.5%
-26 to -30%	3.5% to 2.5%	-2.5% to -3.5%

Important notes regarding the table above:

- Final 2008 SWIB investment returns will not be available until January 2009. For the most recent SWIB investment performance information, visit SWIB's website at <http://www.swib.state.wi.us>. Year-end investment returns could end up higher or lower than the possible investment returns in the first column of the table.
- Final 2008 effective rates, which are applied to active and some inactive employee accounts, will not be available until spring of 2009. ETF uses the effective rates, which take into account factors such as investment returns and reserves, as a starting point to calculate the annual increases or decreases paid to WRS retirees.
- Annuity adjustments for WRS retirees are reflected in the May 1, 2009, annuity payment. Assumed interest, mortality rates and other actuarial factors may also affect the final annual increases or decreases. The projections above are based solely on investment returns.
- Core Fund investment returns are smoothed over a five-year period to reduce volatility.

Variable Trust Fund

Some WRS members have elected to participate (by putting 50% of their contributions) in the optional and more volatile all-stock Variable Fund. Unlike the Core Fund, the Variable Fund investment returns (gains/losses) are not smoothed. Therefore, WRS members who participate in the Variable Fund experience effective rates and annuity adjustments on the Variable Fund portion of their account that are closer to actual Variable Fund investment returns.

Visit <http://etf.wi.gov> for more information.

-end-